

**The Internal Revenue Service Should  
Continue to Make Improvements to the  
Low-Income Taxpayer Clinic Grant Program**

**November 2001**

**Reference Number: 2002-10-024**

**This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.**



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

INSPECTOR GENERAL  
for TAX  
ADMINISTRATION

November 29, 2001

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

A handwritten signature in cursive script, reading "Pamela J. Gardiner".

FROM: Pamela J. Gardiner  
Deputy Inspector General for Audit

SUBJECT: Final Audit Report - The Internal Revenue Service Should  
Continue to Make Improvements to the Low-Income Taxpayer  
Clinic Grant Program (Audit # 200110010)

This report presents the results of our review of the Low-Income Taxpayer Clinic (LITC) grant program. The overall objective of this review was to determine if the Internal Revenue Service (IRS) has effective processes for awarding and administering grants for LITCs.

In summary, we found that the IRS has effective processes for awarding and administering grants for LITCs; however, improvements could be made to ensure the continued success of the program. We found that during the evaluation phases, the IRS did not conduct any independent analyses of either low-income taxpayers with IRS controversies or English as a second language populations, did not analyze Single Audit Act<sup>1</sup> reports and use the results, and did not document the receipt of grant applications. Additionally, the IRS can improve the monitoring of the grant recipients by performing site visits and analyzing interim and final reports submitted by the recipients.

Management's Response: IRS management agreed that our recommendations will help ensure the continued success of the LITC program by strengthening the evaluation and monitoring controls. The Grant Administration Office will use information from Research and Analysis that identifies low-income taxpayer demographics during the selection and award process, ensure that required applicants submit Single Audit reports and use the results in the evaluation process, and has established a correspondence control system that includes date stamping. Additionally, IRS

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<sup>1</sup> Single Audit Act of 1984, Pub. L. No. 98-502 and Single Audit Act Amendments of 1986, Pub. L. No. 104-156.

management has added additional resources to the grant program. Management's complete response to the draft report is included as Appendix V.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Daniel R. Devlin, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

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## **The Internal Revenue Service Should Continue to Make Improvements to the Low-Income Taxpayer Clinic Grant Program**

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### **Background**

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The Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 (RRA 98)<sup>1</sup> allows the IRS to provide taxpayer assistance through the use of grants or cooperative agreements. The RRA 98 authorized the IRS, subject to the availability of authorized funds, to provide up to \$6 million annually in matching funds for the development, expansion, or continuation of qualified Low-Income Taxpayer Clinics (LITCs). Each LTC may receive up to \$100,000 of the authorized funds per year. These clinics provide legal assistance to low-income taxpayers having disputes with the IRS and serve to inform individuals that speak English as a second language (ESL) about their rights and responsibilities under the Internal Revenue Code.

The IRS Commissioner has stated that these clinics conform with the IRS' goal of improving service to taxpayers. In Fiscal Year (FY) 2000, the IRS awarded 70 grants, totaling approximately \$4.4 million, to LITCs to assist taxpayers in resolving issues with the law and regulations regarding tax administration. The IRS expanded the program in FY 2001 and awarded 102 LTC grants, reaching the \$6 million threshold established by the RRA 98.

This audit was identified in the Treasury Inspector General for Tax Administration's (TIGTA) FY 2001 risk assessment process. Also, the Deputy Commissioner requested the TIGTA's assistance in reviewing the grant program. In addition to this review, we have initiated a financial review of the LITCs to determine whether they are properly managing grant funds and complying with the grant terms. The results of that review will be presented in a separate report.

During the time of our review, the Grant Administration Office in New Carrollton, MD, administered the LTC grant program. In May 2001, control of the program was moved to the Wage and Investment Business Unit headquarters in Atlanta, GA, where the IRS plans to administer the LTC grant program in the future.

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<sup>1</sup> IRS Restructuring and Reform Act of 1998 (RRA 98), Pub. L. No. 105-206, 112 Stat 685.

## **The Internal Revenue Service Should Continue to Make Improvements to the Low-Income Taxpayer Clinic Grant Program**

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The audit work was performed from February 2001 to May 2001 in the Stakeholder Partnership, Education and Communication (SPEC) area, Customer Assistance, Relationships, and Education (CARE) Division of the IRS Wage and Investment Business Unit in New Carrollton, MD. The audit was conducted in accordance with *Government Auditing Standards*.

Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

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### **Additional Actions Can Be Taken During the Evaluation Process to Ensure Qualified Applicants Are Identified**

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After the passage of the RRA 98, the IRS quickly developed effective processes and procedures for awarding the LITC grants. The evaluation criteria and ranking are reasonable and objective and are consistently applied to all applicants. Applicants are evaluated and ranked based on the quality of programs offered to assist low-income and ESL taxpayers. In addition to the quality of programs offered to low-income and ESL taxpayers, applicants are also evaluated and ranked on their experience in sponsoring an LITC, the quality of their grant administration and internal accounting procedures, and the number of low-income and ESL taxpayers in the geographical area.

While the evaluation process effectively awards grants to qualified applicants, we believe additional improvements can be made to ensure the continued success of the program. Specifically, the Grant Administration Office should consider:

- Conducting demographic analyses of low-income taxpayers with IRS controversies and ESL populations.
- Analyzing Single Audit Act<sup>2</sup> reports during the evaluation of grant applicants.
- Documenting receipt of grant applications.

Implementing each of these improvements will enhance the award process and make the program more successful.

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<sup>2</sup> Single Audit Act of 1984, Pub. L. No 98-502 and Single Audit Act Amendments of 1986, Pub. L. No. 104-156.

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### **Conducting demographic analyses of low-income taxpayers with IRS controversies and ESL populations**

The IRS does not conduct any independent analyses of demographics to determine which areas of the country have high populations of low-income taxpayers with IRS controversies and/or ESL taxpayers. Because the Grant Administration Office does not have the resources dedicated to performing this type of research and analysis, it attempts to award LITC grants to major metropolitan areas to reach these populations.

The RRA 98 stipulates that the number of taxpayers who will be served by the clinic, including the number of taxpayers in the area for whom English is a second language, will be considered in determining who receives a grant award. The IRS grant application and guidelines require the applicant to provide this information. During the evaluation process, the evaluation panel uses the demographics statistics provided in the application to rank the packages. However, the IRS does not independently verify this information to ensure it is accurate and complete.

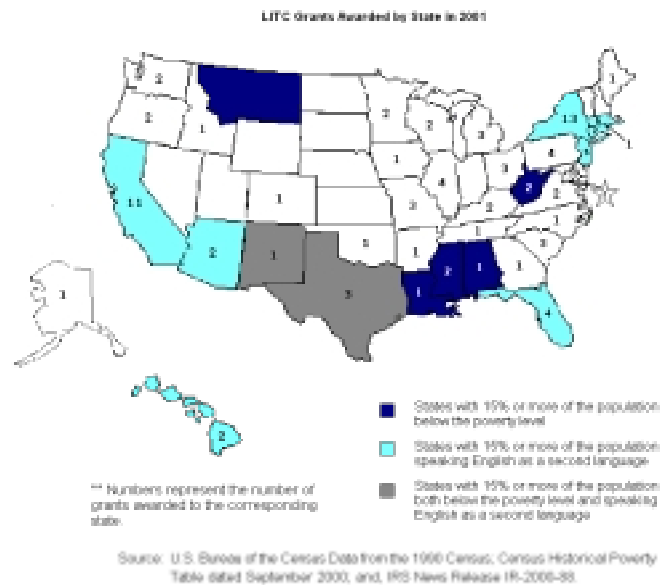
During its first year of operation in FY 1999, the Grant Administration Office awarded grants in 7 of the 18 states (including the District of Columbia) where 15 percent or more of the population consisted of low-income taxpayers and/or taxpayers that spoke English as a second language, according to the most recently published Census Bureau statistics.<sup>2</sup> As depicted in the map below, in FY 2001 the IRS awarded grants in 15 of the 16 states meeting our 15 percent criteria.

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<sup>2</sup> The 1990 census data were the most current available at the time of our review. The Census Historical Poverty Table contains data from 1997, 1998, and 1999.

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Although the IRS awarded grants in 15 of the 16 states meeting the 15 percent criteria, this demographic representation was not the result of an intentional strategy. We believe a more structured methodology should be developed for future use to identify the areas that could benefit most from the program. We also believe publicizing the program and performing outreach to under-served areas identified from the analyses would assist the IRS in providing better customer service to taxpayers and make the LITC grant program even more successful. These analyses should take advantage of updated data from the 2000 census when available.

### **Analyzing Single Audit Act reports during the evaluation of grant applicants**

The IRS neither conducts research to determine if a grant applicant had an audit performed in accordance with the Single Audit Act nor uses the corresponding results of the audit in the evaluation process. Because the IRS does not have resources dedicated to analyzing the results of these audits, 15 organizations that had findings in their most recent Single Audit Act report were awarded LITC grants in FY 2001. There is a greater risk that federal funds will be



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used inappropriately if proper corrective action has not been taken to address these issues.

Not all organizations receiving federal funds are required to have an audit performed in accordance with the Single Audit Act. The Office of Management and Budget (OMB) Circular A-133 stipulates that organizations that receive \$300,000 or more in federal funds during a year must have an annual single audit of the federal funds and its programs. Additionally, the IRS grant application package and guidelines stipulate that if an organization expends \$300,000 or more in federal funds, a copy of the audit results performed in compliance with OMB Circular A-133 must be provided to the IRS. However, the IRS is not receiving these reports.

In the 15 organizations we identified that had findings in their most recent audit reports, 6 had internal control findings affecting their federal programs. Without the IRS ensuring that the appropriate corrective action has taken place, awarding grants to these 6 recipients placed approximately \$441,000 of LITC grant funds at risk of inappropriate use.

The IRS needs to receive and analyze these audit reports to determine whether any problems were identified, how they affected the internal controls around the management of federal funds, and what corrective action is being taken. We believe it is important that these audit reports be available during the evaluation and award phase to ensure the best applicants are selected for the LITC grant.

### **Documenting receipt of grant applications**

The IRS does not have a process in place to date stamp and/or log in application packages and, therefore, did not document the date each application was received. The former program manager did not believe it was necessary to date stamp the applications. Additionally, the policy was that all applications would be considered for a grant award as long as they were received before the evaluation panel convened. However, without date stamping or logging in each application, there is no assurance that all applicants are treated fairly during the evaluation process.

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The IRS 2001 grant application package and guidelines stipulated that applications had to be received by the LITC program office no later than 4:00 p.m. local prevailing time on September 25, 2000. The package provided a mailing address and a courier/hand delivery address.

The IRS received 143 applications for the 2001 grant period. Fifteen of these were eliminated during the eligibility screening process because they did not meet the basic requirements for the grant. The others went through a technical evaluation in which they were numerically ranked based on criteria listed in the application package. The IRS selected applicants based on their technical evaluation score, the geographic location of the clinic, and the number of taxpayers who will be served.

We identified one application that was dated after the established due date. This application was evaluated with all the other applications received by the IRS. Additionally, the applicant was awarded a grant, even though its application package was received late. A process of date stamping and/or logging in of applications should be established and the due date should be upheld by the program office to promote timely submission of all grant applications. While there was only one application received late and awarded a grant, the IRS needs to have controls in place to enhance the integrity of the evaluation and selection process.

### **Recommendations**

1. The Director, CARE, in conjunction with the Wage and Investment research function, should conduct demographics research and perform analyses to determine which areas have a high population of low-income taxpayers with IRS controversies and/or ESL taxpayers. The results of these analyses should be provided to the evaluation panel for use when ranking application packages on demographic information.

Management's Response: The Grant Administration Office completed the evaluative process of the 2002 LITC grant program applicants on

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October 15, 2001. It will use information from Research and Analysis that identifies low-income taxpayer demographics during the selection and award process of these applicants.

2. The Director, CARE, should ensure that applicable Single Audit Reports are received so that results can be analyzed to determine if any issues exist regarding the management of federal funds and/or the internal control structure. Any issues identified and/or corrective actions taken should be considered during the evaluation process.

Management's Response: The Grant Administration Office will take steps to ensure that required applicants submit audit reports in accordance with the Single Audit Act as described in OMB Circular A-133. The Grant Administration Office will also ensure the Procurement function analyzes these reports; the Grant Administration Office will use the results in the evaluation process.

3. The Director, CARE, should ensure the established due date for applications is adhered to and consider date stamping or logging in each application as it is received to ensure only timely applications are evaluated.

Management's Response: The Chief of Grant Administration recognized the need to validate all incoming correspondence to the business unit and established a correspondence control system that includes date stamping all incoming correspondence.

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### **Improvements Are Needed in Monitoring Low-Income Taxpayer Clinics**

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The IRS can improve the monitoring of the grant recipients by performing site visits and by analyzing the interim and final reports submitted by the recipients. Without the implementation of an effective monitoring process, the IRS has no assurance that grant funds are being used appropriately and that recipients are complying with the terms and conditions of the grant.

The number of grant recipients in the LITC grant program and the total funds awarded has increased each year since the inception of the program. Currently, the LITC grant program has 102 grant recipients, up from 34 in 1999.

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Additionally, funding has increased from approximately \$1.5 million in 1999 to \$6 million in 2001, the maximum authorized by the RRA 98. The LITCs are lobbying the Congress to increase the funding from \$6 million to \$15 million, which would also increase the number of recipients in the program and the risk that funds could be inappropriately expended.

The LITC grant program is staffed with a manager and two program analysts. In addition to the routine day-to-day tasks, the staff is responsible for preparing for the evaluation and award for each subsequent year's grant recipients, conducting pre-award site visits, monitoring and providing guidance to the current year's recipients, and ensuring that prior years' recipients submitted all the necessary reports.

The Grant Administration Office is not consistently conducting site visits of the LITC grant program recipients. The site visits are an important aspect in monitoring the recipients. These visits help ensure the recipients are complying with the grant terms, expending the funds properly, and matching the funds appropriately. This year, the Grant Administration Office planned to visit 19 of the 102 grant recipients and used the OMB circulars to prepare a checklist to conduct and document the site visits. These visits were to begin in March 2001; however, because of lack of resources these plans have been put on hold.

Additionally, another method the IRS has to effectively monitor the grant recipients is to analyze the interim and final reports submitted by the recipients. The IRS LITC grant program guidelines require the recipients to submit interim and final financial and program reports. The guidelines stipulate that the financial reports should include a breakdown of LITC expenses; the source, date, availability, and amount of the matching funds; and an itemization and explanation of actual program costs.

The program reports should include an explanation of the strategy used for monitoring and evaluating program results and a description of how success will be measured. The program reports should also include the method of publicity used to promote the program and information regarding the type of representation and other assistance provided to

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low-income taxpayers and/or taxpayers for whom English is a second language. In addition, the reports should include the types of tax issues; the number of cases closed; and the number of outreach efforts, workshops, and other educational programs being conducted.

Currently, the program office captures the data provided in the reports on the number of taxpayers assisted by the LITCs. However, the program office does not perform any continuous monitoring of the LITCs by analyzing these reports as they are received. These reports should be closely analyzed to ensure that all grant funds have been expended and matched appropriately and that the goals and objectives of the program are being met. Additionally, the program office should analyze the reports to help identify potential issues at the clinics. This will help in determining which clinics to visit to ensure the information provided in the reports is accurate.

The information received by the grant recipients is valuable in determining if the program is meeting the intent of the RRA 98 and meeting the goals and objectives of the grant program. The IRS may need to devote more resources to the LITC grant program to ensure that the program is helping its targeted audience and grant funds are being effectively used.

### **Recommendation**

4. The Director, CARE, should consider the growth of the LITC grant program and evaluate the resources necessary to properly monitor and administer the program.

Management's Response: The Grant Administration Office proposed changes to the organizational structure for FY 2002. The IRS Implementation Steering Committee approved the proposed change, the addition of one GS-13 Management and Program Analyst, in August 2001. The Grant Administration Office filled the position in October 2001.

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### **Appendix I**

#### **Detailed Objective, Scope, and Methodology**

The overall objective of this review was to determine if the Internal Revenue Service (IRS) has effective processes for awarding and administering grants for Low-Income Taxpayer Clinics (LITCs). To accomplish this objective, we:

- I. Determined if the IRS properly awarded grants to qualified recipients.
  - A. Reviewed applicable Office of Management and Budget policies and IRS procedures to determine the requirements for awarding LTC grants.
  - B. Selected a judgmental sample of 35 applications from a population of 143 Fiscal Year (FY) 2001 grant applications and compared the sample to the acceptance criteria established for the program. A judgment sample was used because we did not plan on projecting the results to the universe.
    1. Prepared a sampling plan outlining the criteria used in selecting the sample of grant applications. The sample included applicants that received and did not receive awards and applicants that met and did not meet the acceptance criteria stipulated in the application package.
    2. Determined if the grant applications were responsive to the announcement.
    3. Assessed if the acceptance criteria were consistently applied to all grant submissions.
    4. Determined the procedures followed when applications did not meet the acceptance criteria.
  - C. Determined if the evaluation process used to assess the grant applications ensured award to qualified recipients.
    1. Assessed the reasonableness of the evaluation criteria used.
    2. Determined if past performance was considered when a new grant was awarded.
    3. Reviewed evaluation documents and determined if evaluators were objective.
    4. Determined if the grant recipients' eligibility and capability for managing grant funds were evaluated prior to award.
    5. Interviewed the evaluators and determined if they verified the information provided in the grant application.

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- D. Determined whether IRS employees had the skills and knowledge necessary to award and monitor grants.
- II. Determined if the IRS accomplished the intent of the IRS Restructuring and Reform Act of 1998 (RRA 98)<sup>1</sup> in selecting the grant recipients for FY 2001.
  - A. Determined which areas of the country are considered low income and/or have a high population of taxpayers for whom English is a second language.
    - 1. Analyzed the 1990 Census Bureau reports and data (the latest available at the time of our review) and determined the areas of the country with a high population of low-income taxpayers and the areas of the country with English as a second language taxpayers.
    - 2. Reviewed IRS reports indicating which areas of the country have a high population of taxpayers who filed tax returns claiming the Earned Income Tax Credit.
    - 3. Assessed documentation analyzed by the IRS evaluation team in determining which areas of the country had controversies with the IRS.
  - B. Determined if the grants awarded for FY 2001 represented all geographic areas with low-income taxpayers and taxpayers for whom English is a second language.
  - C. Determined if the IRS had a process to evaluate the most beneficial areas to establish LITCs and solicit grant applications in those areas.
  - D. Determined if there was a process used by the Grant Administration Office to ensure objectives of the grant program were achieved.
- III. Determined if the IRS is properly administering the LITC grant program.
  - A. Evaluated the process for monitoring the clinics.
    - 1. Determined the methods used to monitor the clinics and assessed the frequency and scope of the methods.
    - 2. Determined if the Grant Administration Office received status, progress, and closeout reports and the frequency of the submissions and how the program office verified the accuracy of the report data.
    - 3. Determined if the results of the monitoring methods were documented and reviewed the documentation to ensure sufficient coverage.
    - 4. Determined what actions are taken for problems that were identified with the clinics.

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<sup>1</sup> IRS Restructuring and Reform Act of 1998 (RRA 98), Pub. L. No. 105-206, 112 Stat 685.

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- 5. Determined if the Grant Administration Office reviewed the clinics' performance against the terms of the grant agreement.
- B. Determined if the Grant Administration Office receives data on the number and type of taxpayers represented by the clinics and assesses the clinics' effectiveness.
- C. Assessed the process the Grant Administration Office has in place to ensure the clinics were properly matching funds.



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**Appendix II**

**Major Contributors to This Report**

Maurice S. Moody, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs)

John Wright, Director

Debra Gregory, Audit Manager

Terrey Haley, Senior Auditor

Melvin Lindsey, Senior Auditor

Dawn Smith, Senior Auditor

Chinita Coates, Auditor

Tom Dori, Auditor

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**Appendix III**

**Report Distribution List**

Commissioner N:C  
Director, Customer Assistance, Relationships, and Education W:CAR  
Director, Procurement A:P  
Director, Stakeholder Partnership, Education and Communication W:CAR:SPEC  
Director, Strategy and Finance W:S  
Chief Counsel CC  
National Taxpayer Advocate TA  
Office of Management Controls N:CFO:F:M  
Director, Legislative Affairs CL:LA  
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O  
Audit Liaisons: Wage and Investment Division W  
Procurement A:P

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### **Appendix IV**

#### **Outcome Measures**

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. This benefit will be incorporated into our Semiannual Report to the Congress.

##### Type and Value of Outcome Measure:

- Protection of Resources – Potential; \$441,000 of grant funds awarded in 2001 to 6 organizations with findings identified during Single Audit Act<sup>1</sup> reports (see page 2).

##### Methodology Used to Measure the Reported Benefit:

We reviewed the results of Single Audit Act reports for the 2001 grant recipients that were required to have single audits conducted for their federal programs. We determined how many federal programs each recipient administered. For each recipient, we identified how many federal programs had findings related to internal controls. We identified 6 recipients with findings in their federal programs and calculated the total LTC grant funds awarded to these 6 organizations at \$441,000.

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<sup>1</sup> Single Audit Act of 1984, Pub. L. 98-502 and Single Audit Act Amendments of 1986, Pub. L. No. 104-156.

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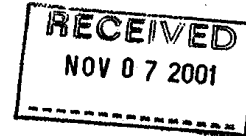
**Appendix V**

**Management's Response to the Draft Report**



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
ATLANTA, GA 30308

NOV 05 2001



MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX  
ADMINISTRATION

FROM:

*John M. Dalrymple*  
John M. Dalrymple  
Commissioner, Wage and Investment Division

SUBJECT:

Draft Report # 200110010--The Internal Revenue Service  
Should Continue to Make Improvements to the Low-Income  
Tax Clinic Grant Program

In your review of this program, your stated focus was to determine whether the IRS has effective processes for awarding and administering grants for Low-Income Tax Clinics (LITCs). While recognizing that our evaluation process does effectively award grants to qualified applicants, the recommendations in your report will help us to ensure the continued success of the program by strengthening our evaluation and monitoring controls.

The Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98)<sup>1</sup> authorized the IRS, subject to the availability of authorized funds, to allocate no more than \$6 million annually in matching funds for the development, expansion, or continuation of qualified LITCs. Each clinic may receive up to \$100,000 per year in matching funds. These clinics provide legal assistance to low-income taxpayers having controversies with the IRS and inform individuals who speak English as a second language (ESL) about their rights and responsibilities under the Internal Revenue Code.

I agree that we did not analyze the applicable Single Audit Act reports in 2001 for six of the 143 applicants, which placed \$441,000 in grant funds potentially at risk for inappropriate use. As of October 17, 2001, we have disbursed a total of \$141,142 to these six grantees in accordance with the requirements of their Grant Agreements. We have reviewed the Single Audit Act reports for the six applicants and found negligible risk factors existed in the findings. See Attachment 2.

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<sup>1</sup> IRS Restructuring and Reform Act of 1998 (RRA 98), Pub. L. No. 105-206, 112 Stat 685.

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Our comments on the recommendations are attached. If you have any questions or concerns, please contact Ty Ayers, Director, Customer Assistance, Relationships and Education (CARE), at (404) 338-7100.

Attachments (2)

## **The Internal Revenue Service Should Continue to Make Improvements to the Low-Income Taxpayer Clinic Grant Program**

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### **Attachment 1**

#### **Management Response to Draft Audit Report—The Internal Revenue Service Should Continue to Make Improvements to the Low-Income Tax Clinic Grant Program (Audit No. 200110010)**

##### **RECOMMENDATION #1:**

The Director, CARE, in conjunction with the Wage and Investment research function, should conduct demographics research and perform analyses to determine which areas have a high population of low-income taxpayers with IRS controversies and/or ESL taxpayers. The results of these analyses should be provided to the evaluation panel for use when ranking application packages on demographic information.

##### **ASSESSMENT OF CAUSE:**

We do not conduct any independent analyses of demographics to determine which areas of the country have high populations of low-income taxpayers with IRS controversies and/or ESL taxpayers. Because the Grant Administration Office does not have the resources dedicated to performing this type of research and analysis, it attempts to award LITC grants to major metropolitan areas to reach these populations.

##### **CORRECTIVE ACTIONS FOR RECOMMENDATION #1:**

The Grant Administration Office completed the evaluative process of the 2002 LITC grant program applicants on October 15, 2001. We will use information from Research and Analysis that identifies low-income taxpayer demographics during the selection and award process of these applicants.

##### **IMPLEMENTATION DATE:**

Proposed: February 1, 2002

##### **RESPONSIBLE OFFICIALS:**

Director, Stakeholder Partnerships, Communication and Education  
Director, Customer Assistance, Relationships and Education

##### **RECOMMENDATION #2:**

The Director, CARE, should ensure that applicable Single Audit Reports are received so that results can be analyzed to determine if any issues exist regarding the management of federal funds and/or the internal control structure. Any issues identified and/or corrective actions taken should be considered during the evaluation process.

## **The Internal Revenue Service Should Continue to Make Improvements to the Low-Income Taxpayer Clinic Grant Program**

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### **ASSESSMENT OF CAUSE:**

We do not conduct research to determine if a grant applicant had an audit performed in accordance with the Single Audit Act nor use the corresponding results of the audit in the evaluation process.

### **CORRECTIVE ACTION:**

Since the inception of the LITC program, the Grant Administration Office has used Agency Wide Shared Services, Procurement and Procurement Policy, to conduct the financial review portion of the evaluative process. We will instruct Procurement to analyze applicable Single Audit Reports for findings we can use in the evaluation process. In addition, the Grant Administration Office will continue to involve General Legal Services in the evaluative process.

The Grant Administration Office will take steps to ensure that required applicants submit audit reports in accordance with the provisions of the Single Audit Act as described in OMB Circular A-133. The Grant Office will also ensure Procurement analyzes these reports and we will use the results in the evaluation process.

### **IMPLEMENTATION DATE:**

Proposed: August 2002

### **RESPONSIBLE OFFICIALS:**

Director, Stakeholder Partnerships, Communication and Education  
Director, CARE

### **RECOMMENDATION #3:**

The Director, CARE, should ensure the established due date for applications is adhered to and consider date stamping or logging in each application as it is received to ensure only timely applications are evaluated.

### **ASSESSMENT OF CAUSE:**

We do not have a process in place to date stamp and/or log in application packages and, therefore, did not document the date we received each application.

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### **CORRECTIVE ACTION:**

The Chief of Grant Administration recognized the need to validate all incoming correspondence to the business unit and established a correspondence control system that includes date stamping all incoming correspondence.

### **IMPLEMENTATION DATE:**

Completed: May 1, 2001

### **RESPONSIBLE OFFICIALS:**

Director, Stakeholder Partnerships, Communication and Education  
Director, CARE

### **RECOMMENDATION #4:**

The Director, CARE, should consider the growth of the LITC grant program and evaluate the resources necessary to properly monitor and administer the program.

### **ASSESSMENT OF CAUSE:**

The IRS may need to devote more resources to the LITC grant program to ensure that the program is helping its targeted audience and recipients are using grant funds effectively.

### **CORRECTIVE ACTION:**

We proposed changes to the organizational structure of the Grant Administration Office for fiscal year 2002. The IRS Implementation Steering Committee approved the proposed change, the addition of one GS-13 Management and Program Analyst, in August 2001. We filled the position effective October 7, 2001.

### **IMPLEMENTATION DATE:**

Completed: August 2001

### **RESPONSIBLE OFFICIALS:**

Director, Stakeholder Partnerships, Communication and Education  
Director, CARE



# **The Internal Revenue Service Should Continue to Make Improvements to the Low-Income Taxpayer Clinic Grant Program**

## Attachment 2

### LITC Grant Applicants Identified With Single Audit Act Report Findings Related to Internal Controls

Grant Applicant	Total Number of Grants From Federal Agencies	Internal Control Findings (A) (B)		LITC Grant Amount	Total Other Federal Funds Expended
1	87		81	\$ 70,737	\$ 78,194,740
2	5		5	50,000	681,586
3	8		1	20,000	1,791,555
4	87	1		99,922	346,007,621
5	15		1	100,000	3,430,264
6	28		4	100,000	73,521,090
Totals	230	1	92	\$440,659	\$503,626,856

(A) Material Weakness

(B) Not Material